

AMENDED IN ASSEMBLY MAY 29, 2012

AMENDED IN ASSEMBLY APRIL 25, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1963

Introduced by Assembly Member Huber

February 23, 2012

An act to repeal and add Section 38 to the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1963, as amended, Huber. Personal income tax: Sales and use tax: Legislative Analyst's Office: report.

The Personal Income Tax Law imposes taxes based upon taxable income, at specified rates, and allows a taxpayer to elect to take a standard deduction, as provided. Existing law imposes state sales and use taxes on retailers and on the storage, use, or other consumption of tangible personal property in this state at the rate of 6¼% of the gross receipts from the retail sale of tangible personal property in this state and of the sales price of tangible personal property purchased from any retailer for storage, use, or other consumption in this state.

This bill would require the Legislative Analyst's Office to assess ~~the~~ *potential* changes to the laws described above ~~as proposed in the introduced version of this bill, and to make specified recommendations to the Legislature in a report to be issued in order to reduce revenue volatility and to provide a report including these assessments to the Legislature~~ on or before July 1, 2013.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 38 of the Revenue and Taxation Code is~~
2 ~~repealed.~~

3 ~~38. (a) The Legislative Analyst shall submit a report to the~~
4 ~~Legislature regarding the possible consolidation of the remittance~~
5 ~~processing and cashiering functions and the mail processing~~
6 ~~operations, of the Franchise Tax Board, the State Board of~~
7 ~~Equalization, and the Employment Development Department.~~

8 ~~(b) The Franchise Tax Board, the State Board of Equalization,~~
9 ~~and the Employment Development Department shall provide the~~
10 ~~Legislative Analyst all data and information that the Legislative~~
11 ~~Analyst identifies as necessary for completing the report and shall~~
12 ~~assist the Legislative Analyst in the preparation of the report. The~~
13 ~~information provided to the Legislative Analyst shall include, but~~
14 ~~not be limited to, an evaluation of the short- and long-term fiscal~~
15 ~~and budgetary advantages and disadvantages that would result~~
16 ~~from the proposed consolidation of the remittance processing and~~
17 ~~cashiering functions and the mail processing functions of, the~~
18 ~~Franchise Tax Board, the State Board of Equalization, and the~~
19 ~~Employment Development Department. Any data and information~~
20 ~~requested by the Legislative Analyst shall be submitted on or before~~
21 ~~July 1, 2004.~~

22 ~~(c) The purpose of the report required by this section is to~~
23 ~~determine, to the extent possible and based on available information~~
24 ~~and reasonable assumptions, if there are any benefits to the~~
25 ~~consolidation of the management and control of these operations~~
26 ~~based on all of the following criteria:~~

27 ~~(1) The elimination of duplicative functions and fragmented~~
28 ~~responsibilities.~~

29 ~~(2) Increased operational efficiencies due to the use of improved~~
30 ~~technologies and economies of scale.~~

31 ~~(3) Additional interest earnings for the state.~~

32 ~~(d) For purposes of this section, "remittance processing and~~
33 ~~cashiering" means receiving, batching, balancing, and depositing~~
34 ~~remittanees.~~

35 ~~(e) The Legislative Analyst shall provide to the Legislature its~~
36 ~~report and any recommendations and considerations with regard~~
37 ~~to the possible consolidation of these functions by November 1,~~
38 ~~2004.~~

1 SEC. 2. Section 38 is added to the Revenue and Taxation Code,
2 to read:

3 38. (a) *It is the intent of the Legislature to reduce General*
4 *Fund revenue volatility, as identified in the January 2005 report*
5 *by the Legislative Analyst's Office. To achieve this objective, the*
6 *Legislature must have an analysis of the methods by which a*
7 *reduction in revenue volatility may be achieved without a reduction*
8 *or increase in the total available revenue.*

9 (b) *On or before July 1, 2013, the Legislative Analyst's Office*
10 *shall submit a report to the Legislature assessing potential changes*
11 *to the state income and sales and use tax laws in order to reduce*
12 *revenue volatility, diversify revenue sources, and improve*
13 *California's economic climate. The report shall include, but is not*
14 *limited to, the following:*

15 (1) *A review of California's current and historical revenue*
16 *volatility, including, but not limited to, the percentage of the gross*
17 *state product that is made up by the General Fund budget over a*
18 *period of 10 years.*

19 (2) *Proposals for tax reforms that would end California's*
20 *revenue volatility, are sum revenue neutral, and do not require*
21 *amendments to, or revisions of, the California Constitution. To*
22 *the extent possible, the Legislative Analyst shall use dynamic*
23 *revenue modeling in determining viable proposals in order to*
24 *provide an accurate picture of the impact any proposed tax reforms*
25 *would have on state revenues.*

26 (3) *An explanation of the calculations needed to determine*
27 *revenue neutrality.*

28 (4) *An analysis of the effect a reduction of taxation on individual*
29 *income would have upon state revenues and revenue volatility.*

30 (5) *An analysis of the effect of imposing a tax on the sale or use*
31 *of services, concurrent with a reduction of the sales and use tax*
32 *rate, would have upon state revenues and revenue volatility. This*
33 *analysis shall include whether a credit or exemption to the services*
34 *tax should apply to the sale of services between businesses. This*
35 *analysis shall also include the positive or negative revenue impact*
36 *of excluding the following services from a tax on services:*

37 (A) *Necessary or licensed medical services.*

38 (B) *Services related to education.*

39 (C) *Automotive repair services.*

- 1 (D) Accounting, auditing, and other services provided by
- 2 licensed accountants or licensed accounting firms.
- 3 (E) Legal services provided by licensed attorneys.
- 4 (F) Services related to agriculture and livestock.
- 5 (G) Services related to housing, real estate, and construction.
- 6 (H) Services related to banking.
- 7 (I) Securities and investment management services.

8 SECTION 1. ~~(a) The Legislative Analyst’s Office shall assess~~
 9 ~~the changes to the tax laws as proposed in the February 23, 2012,~~
 10 ~~introduced version of this bill and shall make recommendations~~
 11 ~~on both of the following:~~

12 ~~(1) How the state could diversify, in a revenue-neutral manner,~~
 13 ~~the tax revenue it would have received as a result of the changes~~
 14 ~~to the tax laws as proposed in the February 23, 2012, introduced~~
 15 ~~version of this bill, so that annual state tax revenues are less subject~~
 16 ~~to volatile fluctuations due to economic upturns and downturns.~~

17 ~~(2) The impact on state tax revenues due to the exclusion from~~
 18 ~~the definition of services, as specified in Section 6301 of the~~
 19 ~~Revenue and Taxation Code, as proposed in the February 23, 2012,~~
 20 ~~introduced version of this bill, of all of the following:~~

- 21 ~~(A) Necessary medical services.~~
- 22 ~~(B) Services related to education.~~
- 23 ~~(C) Automotive repair services.~~
- 24 ~~(D) Tax preparation and filing services.~~
- 25 ~~(E) Licensed legal services.~~
- 26 ~~(F) Services relating to agriculture and livestock.~~
- 27 ~~(G) Services relating to housing, real estate, and banking.~~

28 ~~(b) The recommendations made pursuant to subdivision (a) shall~~
 29 ~~be issued in a report to the Legislature on or before July 1, 2013.~~